



MONTANA DISTRICT OFFICE

NEWSLINE

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SBA – Your Small Business Resource

Small Business Administration
Montana District Office

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All of the SBA's programs and services
are provided to the public on a
nondiscriminatory basis.



HAPPY NEW YEAR!

A Message from the Montana District Director

First, I want to congratulate Mountain West Bank of Helena and Valley Bank of Helena for being our top lenders for FY 2004. Mountain West Bank was the top lender for dollar volume and Valley Bank ended the year as the leader for loan volume.

I am pleased to announce the addition of another 504 Certified Development Company. Big Sky Economic Development Authority in Billings has been approved by SBA as a statewide 504 Certified Development Company. Scott Langman, former SBDC Director in Billings, will be in charge of implementing this program for BSEDA and now that they've been approved, I'm sure he will hit the ground running!

On a sad note, we will be soon losing another employee, Senior Loan Officer Linda Kindrick. She is leaving the SBA and will be employed as the Executive Director for Montana Community Finance Corporation in Helena. After nearly 22 years with the Agency, *she* worked her way through the ranks, becoming a Loan Officer in 1993. *Her* knowledge and expertise will be greatly missed. We all, however, wish Linda the very best and look forward to working with her in this new position.

On a *happier* note, *effective January 24*, John Klaman who has been the Finance Chief in the North Dakota District Office will be coming on board as the Deputy District Director. He has an extensive background in commercial lending and has been with the SBA for sixteen years. He will definitely be an asset to our office. In the near future, we will be traveling around the state and getting John introduced to all our partners, as well as economic development groups, chambers of commerce, etc.

January 27, the Blackfeet Women's Business Center will have their grand opening. This addition of a women's business center will be a great benefit to Browning and the Blackfeet Indian Reservation.

The new Montana Small Business Resource Guides are *now* available. Let us know if you would like copies.

The best *to you all* in 2005.....and please call on us if you have questions, or if we can provide any assistance.

SBA FY 2005 Legislative Changes – 7(a) Program

On December 8, 2004, the FY05 Omnibus Appropriations Act (P.L. 108-447) was signed into law. Included in the Omnibus Appropriations Act is the Small Business Reauthorization and Manufacturing Assistance Act of 2004 (“Reauthorization”), which amended the Small Business Act (“SBAAct”). The following are the changes to the 7(a) Loan Program (except for International Trade which will be described in a separate notice) as a result of the changes in the law. These changes are effective as of the date of enactment (December 8, 2004). Amendments will be made to SBA’s regulations and Standard Operating Procedures (SOP) to incorporate these changes as soon as possible.

Lending Authority

For FY 2005, the 7(a) Loan Program will have \$16.0 billion in lending authority.

Loan Amount*

	<u>For Loans Approved 10/1/04 Through 12/07/04</u>	<u>For Loans Approved Beginning 12/08/04</u>
<u>Regular 7(a) Loan Program</u>		
Maximum Gross Loan Amount	\$2.0 million	No change
Maximum SBA Guarantee Amount	\$1.0 million	\$1.5 million
<u>SBA Express</u>		
Maximum Gross Loan Amount	\$250,000	\$350,000
<u>Community Express and Export Express</u>		
Maximum Gross Loan Amount	\$250,000	No change

(*Note: All post-approval modifications, including any requests for loan increases, are governed by the rules in effect at the time the loan was approved. The Reauthorization does not affect the maximum loan amount or maximum SBA-guaranteed amount for loans approved prior to December 8, 2004. However, any loan approved on December 8, 2004 or thereafter is subject to these new maximum amounts and, therefore, could be increased accordingly.)

Fees

The 7(a) Loan Program, as a result of the Reauthorization, becomes a zero subsidy loan program financed through fee income to SBA from borrowers and lenders. (Note: The approval date of a loan determines the fee percentages that apply to that loan. The Reauthorization does not affect the fee structure in place for loans approved prior to December 8, 2004.)

The Reauthorization amended the SBAAct to allow SBA the flexibility to adjust these fees, as long as they remain under the caps specified in the SBAAct, in order to maintain a zero subsidy rate for the 7(a) Loan Program. SBA intends to analyze these fees annually and make adjustments as necessary.

The following chart sets forth the changes in the guaranty fee and the lender’s yearly service fee applicable to all loans approved on or after December 8, 2004 through the end of FY 2005.

(Note: The Reauthorization specifically changed the word “annual” to “yearly” when discussing the ongoing guaranty fee.)

<u>Fees</u>	<u>Loans Approved October 1, 2004 Through December 7, 2004</u>	<u>Loans Approved December 8, 2004 Through End of FY 2005</u>
<u>Guaranty Fee</u> [under 13 CFR 120.220(a)]		
<u>Short Term Loans (12 months or less)</u>	0.25 percent of SBA guaranteed portion.	No change.
<u>Loans with a Maturity greater than 12 months</u>		
<u>Total (Gross) Loan Amount</u> \$150,000 or less	2 percent of SBA guaranteed portion. Lender is permitted to retain up to 25 percent of the fee. (50 basis points)	No change.
\$150,001 to \$700,000	3 percent of SBA guaranteed portion.	No change.
\$700,001 – maximum loan amount	3.5 percent of SBA guaranteed portion.	No change.
<u>When SBA-Guaranteed Portion of Loan Amount is over \$1,000,000</u> \$1,000,001 to \$1,500,000	No additional fee because SBA’s guarantee is limited to \$1,000,000.	An <u>additional</u> 0.25 percent on any SBA-guaranteed amount over \$1 million (a total of 3.75 percent on the SBA-guaranteed portion over \$1 million).*
<u>Lender Yearly Service Fee</u> (under 13 CFR 120.220(f))	0.50 percent of the outstanding balance of the SBA guaranteed portion	No change.

(*Note: An example of the additional fee of 0.25 percent on the SBA-guaranteed portion over \$1.0 million is: the guaranty fee on a \$2,000,000 loan with a 75 percent guaranty (\$1.5 million guaranteed amount) would be 3.5 percent of \$1,000,000 (\$35,000) PLUS 3.75 percent of \$500,000 (\$18,750) which totals \$53,750.)

7(a) Loan Guaranty Limit

As set forth in the chart on the first page of this Notice, the loan guaranty limit under section 7(a) (3) (A) of the Act is increased from \$1.0 million to \$1.5 million. Any one small business borrower (together with its affiliates) may now obtain a loan or loans with a total SBA-guaranteed amount of up to \$1,500,000 outstanding. As a reminder, the 7(a) and 504 Loan Programs are combined when determining the maximum SBA guarantee amount that one borrower (including any affiliates) is permitted to have approved and outstanding. (SOP 50 10, Subpart A, Chapter 4, para. 2.)

SBAExpress

The Reauthorization amended the SBA Act to establish the “Express Loan Program.” This program covers loans made by a lender utilizing to the maximum extent practicable its own loan analyses, procedures, and documentation and which have an SBA guaranty rate of not more than 50 percent. SBA considers this to be a permanent enactment of the *SBAExpress* program (but not of those Express programs that have an SBA guaranty rate of greater than 50 percent). The Reauthorization also has increased the maximum gross amount of an *SBAExpress* loan from \$250,000 to \$350,000.

The Reauthorization does not affect either the *CommunityExpress* or the *ExportExpress* programs because the SBA guaranty percentage applicable to those programs exceeds 50 percent (for both these programs, SBA permits the same maximum percentage of SBA guaranty as the regular 7(a) Loan program). Therefore, the status of these two programs remains the same: they continue to be pilot programs and they each continue to have a maximum gross loan amount of \$250,000.

Piggyback Financing Not Available

SBA Policy Notice No. 5000-931, suspending SBA’s policy in SOP 50 10 (4) of allowing 7(a) Loans to be structured as “piggyback financing” as of October 1, 2004, remains in effect.

Pursuant to SOP 50 10 (4), piggyback financing occurs when one or more lender(s) provides more than one loan(s) to a single borrower at or about the same time, financing the same or similar purpose, and where SBA guarantees the loan secured with a junior lien position on the assets being financed. SBA does not consider a financing to be piggyback financing if SBA receives a senior lien on all the assets being financed, or if SBA and the commercial lender share the same lien position (“*pari passu*”) on all the assets being financed.

FY 2005 504 Loan Program Changes

Included in the Omnibus Appropriations Act is the Small Business Reauthorization and Manufacturing Assistance Act of 2004 (“Reauthorization”), which amended the Small Business Investment Act (“SBI Act”) provisions governing the 504 Loan Program. These changes are effective as of the date of enactment (December 8, 2004). Amendments will be made to SBA’s regulations and Standard Operating Procedures (SOP) to incorporate these changes as soon as possible.

Lending Authority

For FY 2005, the 504 Loan Program will have \$5 billion in lending authority.

504 Loan/Gross Debenture Amount

SBA provides a 100 percent guaranty of a debenture that is sold as part of a pool of debentures to investors. Once the debenture is sold, a certified development company (CDC) then loans those

funds to the borrower as a 504 loan. The following is a chart that sets forth the changes to the maximum 504 loan amount.

<u>Maximum 504 Loan Amount</u>	<u>Loans Approved Through 12/07/04</u>	<u>Loans Approved on or after 12/08/04</u>
Regular 504 loans	\$1.0 million	\$1.5 million
504 loans that meet a public policy goal (described in 501(d)(3) of the SBI Act)	\$1.3 million	\$2.0 million
504 loans to “small manufacturers” (new category, see 502(2)(B) of SBI Act as amended by Reauthorization)	N/A – This category did not exist prior to the Reauthorization	\$4.0 million

As a reminder, the dollar amount of a 504 loan request from a small business is combined with all outstanding 504 and 7(a) guaranty loan balances of that same business (including all affiliates) when determining the maximum SBA guaranteed amount that one borrower is permitted to have approved and outstanding. (SOP 50 10, Subpart A, Chapter 4, para. 2, page 96-1)

504 Project Job Requirements

The 504 Loan Program was principally designed to promote job creation. A CDC must demonstrate that each 504 project meets at least one of the following three economic development objectives: 1) creation of a specific number of jobs within two years of the completion of the project or the preservation or retention of jobs attributable to the project; 2) improvement of the economy of the locality; or 3) achievement of one or more of the public policy goals specifically listed in Section 501(d) (3) of the SBIAct. If eligibility is based on the criteria in items 2) or 3) above, the overall loan portfolio of the CDC must also satisfy applicable job creation or retention criteria.

Last year, SBA changed the job creation and retention criteria regulations (13 CFR §§120.861 and 120.829). The Reauthorization supercedes these regulations by amending Section 501(e) of the SBIAct to set forth specific job creation and retention requirements. The following chart sets forth the changes:

<u>Job Creation or Retention Requirement</u>	<u>As of 11/6/03 Federal Register Notice</u>	<u>For Loans Approved Beginning 12/08/04</u>
<u>Calculations Based on Individual Loans</u>		
Regular 504 Project	1 job for every \$50,000 guaranteed by SBA	Same except for a new provision for a Small Manufacturer (see below)
504 Project for a Small Manufacturer	Category did not exist	1 job for every \$100,000 guaranteed by SBA.

<u>Calculations Based on Total Loan Portfolio</u>		
CDC's total 504 Loan Portfolio	1 job for every \$50,000 in CDC's outstanding 504 loan portfolio	1 job for every \$50,000 in CDC's outstanding 504 loan portfolio, <u>excluding</u> 504 loans to Small Manufacturers and in Special Geographic Areas. *
Portion of CDC's 504 Loan Portfolio comprised of 504 projects located in Special Geographic Areas *	1 job for every \$65,000 in CDC's outstanding 504 loan portfolio **	1 job for every \$75,000 in CDC's outstanding 504 loan portfolio, excluding 504 loans to Small Manufacturers.
Portion of CDC's 504 Loan Portfolio comprised of 504 projects to Small Manufacturers	Category did not exist	Loans to Small Manufacturers are excluded from the job requirement applicable to CDC's portfolio

* Special Geographic Areas means Alaska, Hawaii, State-designated enterprise zones, empowerment zones, enterprise communities, and labor surplus areas.

**If a CDC's total 504 portfolio exceeds 1 job for every \$50,000 guaranteed by SBA, the CDC may wish to separate out those loans to 504 projects located in Special Geographic Areas. The CDC's portfolio for these loans is permitted to average 1 job for every \$75,000 guaranteed by SBA.

504 Loans to Small Manufacturers

The Reauthorization permits 504 loans for Small Manufacturers for an amount up to \$4 million. Small Manufacturer is defined as a small business concern that has:

- 1) its primary business classified in sector 31, 32, or 33 of the North American Industrial Classification System (NAICS); and
- 2) all of its production facilities located in the United States.

In order to qualify for a \$4 million 504 loan, therefore, the Small Manufacturer must 1) meet the definition of a Small Manufacturer described above, and 2) either (i) create or retain at least 1 job per \$100,000 guaranteed by SBA (Section 501 (d)(1) of the SBI Act), or (ii) improve the economy of the locality or achieve one or more public policy goals (sections 501(d)(2) or (3) of the SBI Act).

Appropriations

The 504 Loan Program continues to be a zero subsidy loan program financed through fee income from borrowers, lenders and CDCs. Therefore, no appropriation is needed to subsidize the loans. The on-going guaranty fee SBA charges is set each year depending on the subsidy model's estimate of the default rate and recovery rate for loans approved in that year. The on-going guaranty fee for loans approved in FY05 is 0.288.% (SBA Policy Notice No. 5000-931).

504 Applications Approved but not Funded

As a result of the Reauthorization's increase in the maximum 504 loan amount, the CDC may wish to increase a loan approved prior to the date of this Notice. CDCs may do so only if: 1) the loan is not yet disbursed; and 2) it was approved on or after December 8, 2004. Because the limits in effect at the time the loan was approved govern the loan, any loan approved prior to December 8, 2004 must be cancelled and resubmitted, with additional supporting project information, in order to take advantage of these legislative changes.

FY 2005 International Trade Loan Program Changes

Included in the Omnibus Appropriations Act is the Small Business Reauthorization and Manufacturing Assistance Act of 2004 ("Reauthorization"). As a result of changes in the law, the following changes to the International Trade Loan program are made and are effective as of the date of enactment (December 8, 2004). Amendments will be made to SBA's Standard Operating Procedures (SOP) to incorporate these changes as soon as possible.

International Trade Loans

Section 7(a)(16)(A) of the Small Business Act ("SBAAct") has been amended to provide that, if SBA determines that an International Trade ("IT") loan "will allow an eligible small business concern that is engaged in or adversely affected by international trade to improve its competitive position," SBA can make such a loan to assist the concern in:

- “(i) the financing of the acquisition, construction, renovation, modernization, improvement, or expansion of productive facilities or equipment to be used in the United States in the production of goods and services involved in international trade; or
- (ii) the refinancing of existing indebtedness that is not structured with reasonable terms and conditions.”

Section 7(a) (16) (B) of the SBAAct has been amended to provide that each IT loan “shall be secured by a first lien position or first mortgage on the property or equipment financed by the loan *or on other assets of the small business concern.*” (The Reauthorization added the italicized language.) Thus, additional collateral may be accepted to ensure that the loan is fully collateralized. The requirement for a first security interest on the property or equipment financed by the loan continues to be mandatory for all IT loans.

The only eligible use of proceeds for an IT loan is the acquisition, construction, renovation, modernization, improvement or expansion of long-term fixed assets or the refinancing of an existing loan used for these same purposes, subject in both cases to the other applicable requirements of the SBAAct. There can be no working capital as part of an IT loan or as part of any refinancing.

The Reauthorization adds refinancing as an eligible use of proceeds. In accordance with SBA policy for refinancings generally, all refinancing requests in the IT Loan Program must demonstrate that the act of refinancing will also provide a substantial benefit to the small business. (SOP 50-10(4), Subpart A, Chapter 2, para. 12)

Changes in Definitions

The Reauthorization adds Section 7(a) (16) (C) to the SBAAct. The new section amends the definition of a small business concern engaged in international trade. A small business concern is engaged in international trade if, as determined by SBA, “the small business concern is in a position to expand existing export markets or develop new export markets.” Under the previous version of the SBAAct, the small business concern was required to demonstrate that it was in a position to “significantly” expand its existing export markets.

The Reauthorization also adds Section 7(a) (16) (D) to the SBAAct. The new section amends the definition of a small business concern adversely affected by international trade. A small business concern is adversely affected by international trade if, as determined by SBA, “the small business concern (i) is confronting increased competition with foreign firms in the relevant market; and (ii) is injured by such competition.” This replaces the previous version of the SBAAct that required the small business concern to demonstrate that it was confronting increased “direct” competition with foreign firms in the relevant market.

The Reauthorization also adds Section 7(a) (16) (E) to the SBAAct. The new section provides that in order to demonstrate the injury required by Section 7(a) (16) (D) (ii), the small business concern can submit, and SBA must accept, any finding of injury by the International Trade Commission or the Secretary of Commerce pursuant to chapter 3 of title II of the Trade Act of 1974 (19 U.S.C. 2341 et seq.).

Lenders and SBA processing offices are reminded that there continues to be a requirement for the IT applicant to provide a business plan that provides sales projections, identifies the assumptions to support these projections, and addresses how the applicant is eligible under the special IT requirements. (SOP 50-10(4), Subpart C, Chapter 1, para. 7.)

Exception to the \$1.5 million SBA Guaranty limit

The maximum gross amount (\$2 million) and SBA-guaranteed amount (\$1.5 million) for an IT loan is the same as a regular 7(a) loan. However, there is an exception to the maximum SBA 7(a) guaranty amount to one borrower (including affiliates).

Section 7(a)(3)(B) of the SBAAct provides for a maximum SBA guaranty to a small business (including affiliates) of \$1,750,000 under the following circumstances: (1) The small business has been approved for an IT loan, and (2) the business has applied for a separate working capital loan (or loans) under EWCP and/or other 7(a) loan programs. When there is an IT loan and a separate working capital loan, the maximum SBA guaranty on the combined loans can be up to \$1,750,000 as long as the SBA guaranty on the working capital loan does not exceed \$1,250,000. (Prior to the Reauthorization, the maximum guaranty amount on the combined loans was \$1,250,000 of which not more than \$750,000 guaranty amount could be applied to the working capital loan).

In all cases, to receive the maximum SBA guaranty amount of \$1,750,000, the financing package for the small business must include an IT loan that was approved after December 7, 2004.

FY 2004 Top SBA Lenders

On November 9, 2004, Mountain West Bank, N.A. of Helena was honored as the top individual SBA lender in the state in terms of dollars, making 18 loans for \$6.9 million during FY 2004.



(L to R: Dave Perretto, Commercial Loan Officer; Michelle Johnston, District Director; Ron Zeiler, Senior Vice President; and Linda Kindrick, Loan Officer)

Ron Zeiler, Senior Vice President said that the SBA's guaranteeing of up to 75% of qualifying loans makes it easier for banks to take chances on new businesses. "In any community where we have banks, we want to see the community grow, and growth comes in the forms of jobs," he said.

"The SBA programs allow us to go out and make loans to the businesses that create jobs."

Valley Bank of Helena was also honored by SBA for making the most loans, in terms of numbers, of any bank in Montana, with 32 loans for more than \$1.4 million.

Andy O'Neill, President said, "One of the bank's goals for 2004 was a healthy number of small business loans." "Montana has a healthy population of entrepreneurs and we feel a responsibility, as a community bank, to give those people an opportunity to start their own businesses, create jobs and stimulate the economy," he said. "In many ways, small businesses are the backbone, not only in Helena, but statewide and nationwide." O'Neill said, "The steady

growth of Helena and continued low interest rates make this an excellent time to start a business."

Mountain West Financial Corp., the holding company for Mountain West Bank, N.A., was also the top holding company in terms of dollar volume with SBA, with more than \$12 million loaned out. Glacier Bancorp, the holding company for Valley Bank, also topped the holding company list for number volume of loans, with 64 for \$8.9 million.



(L to R: Travis Brazill, Commercial Loan Officer; Gary Bye, Vice President; Michelle Johnston, District Director; Andy O'Neill, President; Shannon McGuire, Business Banking Assistant ; and Linda Kindrick, Loan Officer)

ONE-ON-ONE LENDER TRAINING

SBA staff will again be conducting one-on-one training for lenders across the state to encourage and promote the use of SBA loan programs. The training will cover the National Lender Training Guide which is SBA's quick reference guide or mini-SOP. If your bank is interested in receiving training, please contact Michael Bayuk (michael.bayuk@sba.gov) or Bonnie McFarland (bonnie.mcfarland@sba.gov) to schedule a date and time.

2005 Montana Small Business Resource Guides

The 2005 edition of the Montana Small Business Resource Guide is in. As MDO employees travel around the state conducting training, workshops, and neighborhood visits, we'll try to stop in your bank or organization and leave a few with you. This guide is a tremendous resource for anyone considering starting or expanding a business. Specific information about getting started, financing a business, insurance and tax requirements, in addition to a listing of SBA guaranteed lenders, resource partners, chambers of commerce, county extension offices, and job service workforce centers is included in this guide. Call the MDO for your informational copy today!

SBA Staff Updates – Hello and Goodbye!

At the end of January, we will be wishing a fond farewell to the longest service SBA employee in the Montana District Office. Senior Loan Officer Linda Kindrick has been a government employee for 28 years and has worked for SBA for nearly 22 years, starting her career as a clerk typist, moving up the ranks to loan officer in 1993.

Although she will no longer be an SBA employee, she will still be an integral part of the "SBA Family." Linda will be taking over the reigns of Montana Community Finance Corporation in Helena as the Executive Director, and will be diligently working to familiarize lenders with the benefits of SBA's 504 loan program. We wish her the best of luck and future success in her new position!



We are pleased to announce the addition of John Klamann, who has been selected as the Deputy District Director

for the Montana District Office. In this role, John will serve as the Assistant to the District Director and assist in all phases of the MDO's operating programs. These include loan programs, community and business development, minority small business, and supporting legal and administrative services.

John comes to the MDO from the SBA's Fargo District Office where he served as the Chief of Finance for the last two years. Prior to that role, he spent nearly thirteen years as a loan officer. John has served in various lending capacities at regional and independent banks since 1978, handling consumer, commercial and real estate transactions.

John loves the outdoors and spending time boating, water skiing, downhill and cross country skiing, and will be right at home here in Montana. John and his wife Barb have two grown daughters.

We know that John will be a great addition to our SBA team. I hope you'll join us in welcoming him aboard!

SAVE THE DATE!

The MDO will hold its annual Small Business Weed celebration April 22, 2005, in a location to be determined. Our local event will honor the state's top businesses and advocates in a variety of categories. Montana's Small Business Person of the Year for 2005 will be crowned at the event.

National Small Business Week is April 26-28, 2005 and will be held in Washington, D.C. SBA will hold its annual Small Business Week event, Expo '05, to showcase each state's Small Business Persons of the Year

National Small Business Week is a great time to recognize the contributions your small business customers are making to our state's economy. The Montana SBA will again co-sponsor a special Small Business Week advertorial during this time. This is a great opportunity for you to advertise and thank your customers for their commitment, hard work, and dedication! For more information, contact Rena Carlson (406) 441-1081 or by email at lorena.carlson@sba.gov.

MDO EMPLOYEE SPOTLIGHT

Robert Much was born in Iola, WI long before dinosaurs roamed the earth. Robert's family relocated to Montana when he was two, and he has called Montana home ever since.

Robert's career in Federal Government began during the Vietnam War. He spent four years active duty in the U.S. Navy. Afterwards he continued his military career by serving the next 22 years in the Naval Reserve.

In October 1991, Robert began his career with SBA as a liquidation loan officer.

Over the years, he has held several positions within the office as a Loan

Processing

Loan Officer and BIC Manager. In May 2000, Robert transferred to SBA's 8(a) Business Development Division where he became a Business Opportunity Specialist and has held that position ever since. Robert was recently named the Montana District Office 2004 Employee of the Year.

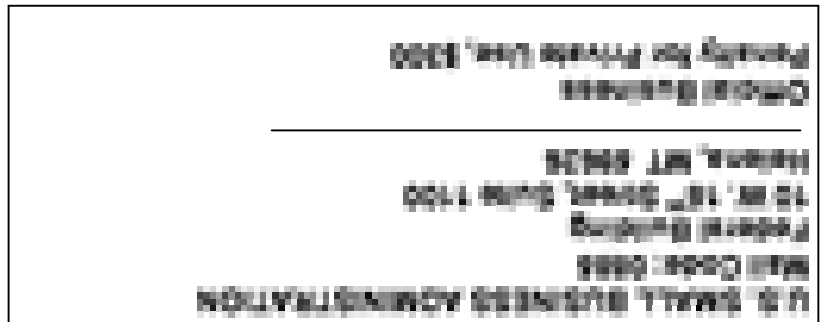


Robert's hobbies include playing Tuesday night basketball with the boys, coaching soccer, playing golf, and playing Keno! Robert and his wife of 35 years, Linda, have two grown children and a 13 yr. old grandson.

MOST MEMORABLE SBA

EXPERIENCES: Singing Karaoke at the MDO Christmas party in 1992. Robert and former Staff Attorney Steve Lobdell, adorned in women's garb, spouted off a resounding rendition of "I Am Woman" in front of the entire district office staff and their spouses. They later could be seen performing a line dance atop the buffet tables – that is...until the tables began to see-saw! It was definitely a sight to behold!

PROUDEST MOMENTS: Serving his country in the Navy and Navy Reserve for 26 years, and when he received a U.S. flag from Senator Max Baucus upon his retirement from Naval service that was flown over the U.S. Capitol in Washington, D.C.



Demand for SBA-Backed Loans Sets a Record Pace In First Quarter of FY 2005

American small businesses set a record pace of borrowing to start and expand their companies over the first three months of the current fiscal year, securing backing from the U.S. Small Business Administration on 23 percent more loans than in the same period a year ago.

During the first quarter of FY 2005, which began on Oct. 1, 2004, the SBA, through its private sector lending partners, approved 23,197 loans for \$3.56 billion under its flagship 7(a) guaranteed loan program, compared to 18,822 loans worth \$3.12 billion in the same period a year earlier, and 13,759 loans worth \$2.24 billion two years ago.

“The heavy demand for SBA backing for guaranteed loans is gratifying,” said SBA Administrator Hector V. Barreto. “This tells me that American entrepreneurs are moving with confidence to start new businesses, build their companies, create jobs and grow the American economy. This program set an all-time loan volume record last year. We are well ahead of last year’s pace at this point, and under President Bush’s leadership, we will continue to make efficient, effective and dependable access to credit a cornerstone of our small business policy.”

The gains are also reflected in the SBA’s Certified Development Company, or 504, loan program. Through the first three months of the fiscal year, the 504 program had issued 1,780 loans worth \$882.9 million, about 13 percent ahead of the same period a year ago, when the program had 1,576 loans for \$743.25 million.

Legislation signed into law by President George W. Bush in early December makes more than \$21 billion available to small businesses through the SBA’s two main loan programs. The budget gives SBA the capacity to support \$16 billion in small business lending under the 7(a) program and \$5 billion under the 504 program.

Additionally, the government loan guarantee increased from \$1 million to \$1.5 million and the program will now operate without a congressional appropriation or at zero subsidy, meaning that the program will be self-supported through fees paid by lenders and borrowers.

An additional enhancement to the 7(a) program was Congress’ action to make the popular SBAExpress program permanent, raising the maximum loan size to \$350,000 with a 50 percent government guarantee.